



# Department of Justice

FOR IMMEDIATE RELEASE  
THURSDAY, FEBRUARY 27, 1997

AT  
(202) 616-2771  
TDD (202) 514-1888

**JUSTICE DEPARTMENT REQUIRES AMERICAN RADIO SYSTEMS CORP. TO  
DIVEST RADIO STATIONS IN CALIFORNIA AND NORTH CAROLINA**

**Action Marks Fourth Challenge to Radio Mergers since  
Passage of the Telecom Act**

WASHINGTON, D.C.-- The Department of Justice reached a settlement today with Boston-based American Radio Systems Corp. allowing the company to go forward with its \$655 million merger with EZ Communications as long as American Radio divests two radio stations--one in Sacramento, California and the other in Charlotte, North Carolina.

The Department also said that proposed station swaps between Fairfax, Virginia-based EZ and other radio owners in Charlotte were abandoned in the face of antitrust concerns raised by the Department.

"The Telecommunications Act of 1996 envisioned a great deal of consolidation in radio, and that's going forward," said Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "We only get involved in cases such as this one where the proposed deal could hurt consumers, such as small businesses that rely on competition to keep prices low for radio advertising. Where we see that happening, we'll move vigorously to stop it."

The Department's action arises out of a series of proposed acquisitions by American Radio and EZ, culminating in the American Radio/EZ merger. In Charlotte, these transactions, without restructuring, would have resulted in American Radio having 55 percent of Charlotte's radio advertising revenues. Under the proposed settlement, American Radio must divest WRFX-FM, Charlotte's leading rock station. After the restructuring, American Radio will own seven radio stations in the Charlotte area, which together account for about 40 percent of Charlotte's radio advertising revenues.

In Sacramento, the merger between American Radio and EZ, together with other proposed acquisitions, would have given American Radio control over six of the 12 class B FM radio signals operating in the Sacramento area. The merger would have given American Radio 36 percent of Sacramento's radio advertising revenues.

The proposed settlement requires American Radio to divest KSSJ-FM, a new age contemporary station in the process of being upgraded to class B status. In addition, in the event KSSJ-FM is not upgraded to class B status by December 31, 1997, the Department has the option to designate an additional Sacramento class B FM station for divestiture. The sale of KSSJ-FM will reduce American Radio's control over Sacramento's class B FM signals, which are the strongest, and therefore the most competitively significant, radio broadcasting signals in Sacramento. Following the restructuring, American Radio will own a total of seven radio stations in the Sacramento area, which

together account for about 33 percent of Sacramento's radio advertising revenues.

In Charlotte, EZ and other radio station owners had previously announced plans to swap radio stations. The swaps would have eliminated existing competition and resulted in EZ controlling the country format--and the listeners it appeals to--and SFX Broadcasting Inc. controlling the rock format--and the listeners it appeals to. These transactions were abandoned following the Department's investigation into whether the swaps were a device to allocate Charlotte's advertisers in such a way as to lessen competition between the two station groups.

The Department's Antitrust Division filed two civil suits today in U.S. District Court in Washington, D.C. At the same time, the Department filed proposed settlements that, if approved by the court, would resolve both suits.

The first suit was filed to block the original deal between American Radio and EZ on the ground that the merger would lessen competition in the Sacramento radio market. The proposed settlement requires American Radio to divest a new age contemporary station in Sacramento.

The second suit was filed to block EZ's original acquisition of six radio stations in Charlotte from Texas-based Evergreen Media Corp., on the ground that the acquisition would lessen competition in the Charlotte radio market. The proposed settlement requires American Radio to divest the largest rock station in Charlotte since following consummation of the merger between American Radio and EZ, American Radio will, as EZ's

successor, become a party to the EZ/Evergreen action, and will be required to fulfill EZ's divestiture obligation.

Including today's lawsuits the Department's Antitrust Division has filed five cases to restructure radio deals since passage of the Telecommunications Reform Act of 1996. The Department said that the radio industry is in the midst of rapid consolidation following passage of the Act, which relaxed previous limits on radio station ownership. Although the Act removed certain limits, it did not "modify, impair, or supersede the applicability of any of the antitrust laws."

Klein said that "our actions today strike the right balance. They preserve competition without impeding benign consolidation. We don't have a problem with consolidation that doesn't threaten competition."

American Radio owns 75 radio stations located in 14 metropolitan areas in the U.S. Its 1996 revenues were approximately \$270 million.

EZ owns 23 radio stations located in seven metropolitan areas in the U.S. Its 1996 revenues were \$118 million.

As required by the Tunney Act, the two proposed consent decrees will be published in the Federal Register, together with the Department's competitive impact statements. Any person may submit written comments concerning the proposed consent decrees during a 60 day comment period to Craig W. Conrath, Chief, Merger Task Force, Antitrust Division, U.S. Department of Justice, Suite

- 5 -

4000, 1401 H Street, N.W., Washington, D.C. 20005, telephone  
(202) 307-0001.

###

97-090